

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1354 – HB 1291

April 1, 2013

SUMMARY OF ORIGINAL BILL: Authorizes counties with a population of more than 25,000 to have more than six school districts, excluding the county school district.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent a municipality elects to form a new school district, the new municipal education agency will receive state Basic Education Program (BEP) funding and have a required local BEP match requirement. State BEP funding in an amount estimated to exceed \$4,000,000 will transfer from the county education agency to the newly-created municipal education agency. The increase in local expenditures for the newly-created municipal education agency (to fund the local BEP match requirement) is estimated to exceed \$2,000,000. This increase is considered permissive based on the municipality's decision to form the new school district. Expenditures for any county education agency from which students transfer will be reduced in an amount estimated to exceed \$1,000,000. To the extent new school districts are not created, the fiscal impact is not significant.

SUMMARY OF AMENDMENT (006112): Deletes Section 1 of the bill and replaces it with new language that deletes Tenn. Code Ann. § 49-2-501(b)(1) in its entirety effectively authorizing an unlimited number of school districts in any county, provided the requirements of Tenn. Code Ann. § 49-2-106 and the rules of the State Board of Education are met.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

To the extent new school districts are created, the new local education agency will receive state Basic Education Program (BEP) funding and have a required local BEP match requirement. State BEP funding in an amount estimated to exceed \$6,000,000 will transfer from the county education agency to the newly-created local education agency. The increase in local expenditures for the newly-created local education agency (to fund the local BEP match requirement) is estimated to exceed \$3,000,000. This increase is considered permissive based on the decision to form the new school district. Expenditures for any education agency from which students transfer will be reduced in an amount estimated to exceed \$1,000,000. To the extent new school districts are not created, the fiscal impact is not significant.

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Assumptions for the bill as amended:

- Additional school systems that are created will have the financial responsibility to pay for transferring students through the BEP formula.
- Funding within the Basic Education Program (BEP) may be reduced by local education agency from which students transfer, as a result of a decrease in the average daily membership (ADM) of that local education agency.
- The municipality or special school district will be responsible for the required BEP local match. Any additional funding above the required local match will be at the discretion of the governing body.
- The current average BEP per pupil expenditure is \$6,182 with \$4,052 in state funding and \$2,130 in local match funding.
- The exact amount of any new local BEP match requirement is unknown and is dependent upon the number of students in the local education agency and the fiscal capacity of the new school district.
- According to State Board of Education Rule 0520-1-80.01, there will be at least 1,500 new students in any new school district. The new district would be funded with at least \$6,078,000 (1,500 x \$4,052) in state BEP funding, and at least \$3,195,000 (\$2,130 x 1,500) in required local BEP match funding.
- School districts from which students transfer will be able to decrease expenditures in conjunction with the decrease in their enrollment. The precise decrease cannot be specifically determined, but is reasonably estimated to exceed \$1,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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